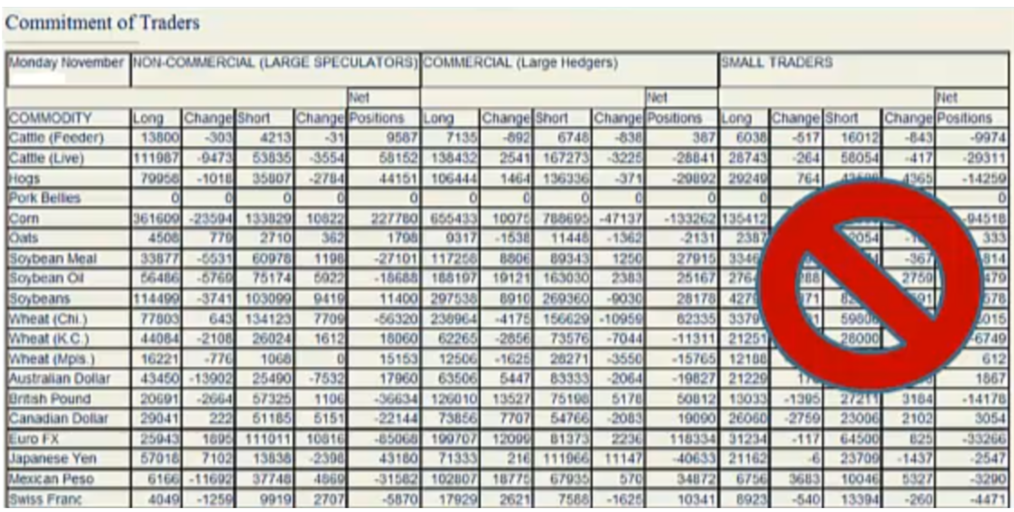
WENT 04

Tuesday, July 29, 2014 8:16 PM

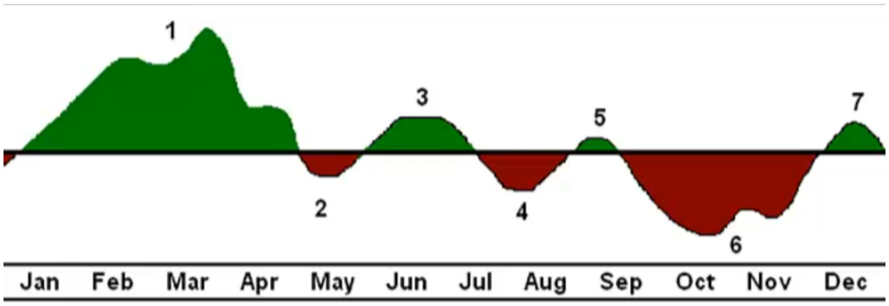
- You can trade monthly highs & lows with a day job.
- When looking to key off daily highs & lows you should look as far back as the last 3 days and maybe even the day before that. Look for rejections at these levels and anticipate price patterns to form if they line up with a session opening.
- The Asian session highs and lows are highly sensitive on an intraday level.
- If you are going to be a New York session trader, you need to be referencing the London session highs and lows.
- New York session highs & lows are going to be influential in the following Asian session. You should also consider the previous London session if you are going to be trading the Asian session.
- Always look back at least 2 sessions from the session that you are currently trading.
- As a new trader, institutional price levels and big and mid figures are a great place to start out.
- .00, .20, .50, .80
- In Forex you can tailor risk parameters like no other.
- Forex traders don't trade in contracts, they trade in lots.
- When we violate a 12 month high or low in the COT data, that is usually a trend changing environment. Over a 4 year span, a major tide change is really under way.



Commitment of Traders

Monday November	NON-COMMERCIAL (LARGE SPECULATORS)					COMMERCIAL (Large Hedgers)					SMALL TRADERS				
					Net					Net					Net
COMMODITY	Long	Change	Short	Change	Positions	Long	Change	Short	Change	Positions	Long	Change	Short	Change	Positions
Cattle (Feeder)	13800	-303	4213	-31	9587	7135	-892	6748	-838	387	6038	-517	16012	-843	-9974
Cattle (Live)	111987	-9473	53835	-3554	58152	138432	2541	167273	-3225	-28841	28743	-264	58054	-417	-29311
Hogs	79958	-1018	35807	-2784	44151	106444	1464	136336	-371	-29892	29249	764	[illegible]	4365	-14259
Pork Bellies	0	0	0	0	0	0	0	0	0	0	0	[illegible]	[illegible]	[illegible]	0
Corn	361609	-23594	133829	10822	227780	655433	10075	788695	-47137	-133262	135412	[illegible]	[illegible]	[illegible]	-94518
Oats	4508	779	2710	362	1798	9317	-1538	11448	-1362	-2131	2387	[illegible]	[illegible]	[illegible]	333
Soybean Meal	33877	-5531	60978	1198	-27101	117258	8806	89343	1250	27915	[illegible]	[illegible]	[illegible]	-367	[illegible]
Soybean Oil	56486	-5769	75174	5922	-18688	188197	19121	163030	2383	25167	[illegible]	[illegible]	[illegible]	2759	[illegible]
Soybeans	114499	-3741	103099	9419	11400	297538	8910	269360	-9030	28178	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Wheat (Chi.)	77803	643	134123	7709	-56320	238964	-4175	156629	-10959	82335	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Wheat (K.C.)	44084	-2108	26024	1612	18060	62265	-2856	73576	-7044	-11311	21251	[illegible]	28000	[illegible]	-6749
Wheat (Mpls.)	16221	-776	1068	0	15153	12506	-1625	28271	-3550	-15765	12188	[illegible]	[illegible]	[illegible]	612
Australian Dollar	43450	-13902	25490	-7532	17960	63506	5447	83333	-2064	-19827	21229	[illegible]	[illegible]	[illegible]	1867
British Pound	20691	-2664	57325	1106	-36634	126010	13527	75198	5178	50812	13033	-1395	27211	3184	-14178
Canadian Dollar	29041	222	51185	5151	-22144	73856	7707	54766	-2083	19090	26060	-2759	23006	2102	3054
Euro FX	25943	1895	111011	10816	-85068	199707	12099	81373	2236	118334	31234	-117	64500	825	-33266
Japanese Yen	57018	7102	13838	-2398	43180	71333	216	111966	11147	-40633	21162	-6	23709	-1437	-2547
Mexican Peso	6166	-11692	37748	4869	-31582	102807	18775	67935	570	34872	6756	3683	10046	5327	-3290
Swiss Franc	4049	-1259	9919	2707	-5870	17929	2621	7588	-1625	10341	8923	-540	13394	-260	-4471

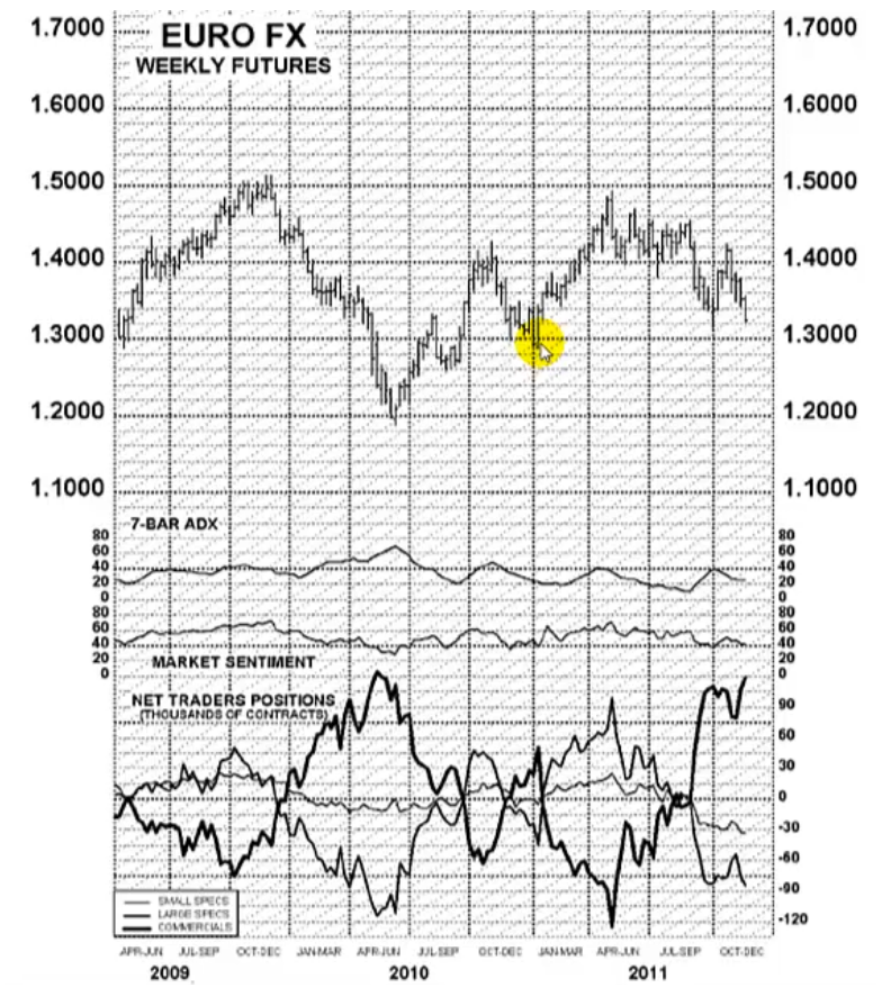
- Large speculators are trend following in nature and that is very important. These are the fund managers and it is important to look at the relationship between these fund managers and the large Commercial hedgers.
- The large speculators have a really good track record of being right during long trends. They don't care about tops and bottoms because they have such good risk control and you shouldn't either.
- You don't need the highest high and lowest low, you should just be focused on trading during the lion's portion of the move.
- Neophyte traders are all about trying to find the top and trying to find the bottom. They also think it has already traveled to high and they don't want to buy it right now.
- In this video, ICT uses the 18EMA and the 40EMA, not the 18EMA and 9EMA that I have seen him use in other videos.
- Professional traders wait for the low to form in price action. Trading long with the understanding that Commercials will be selling the market to them.



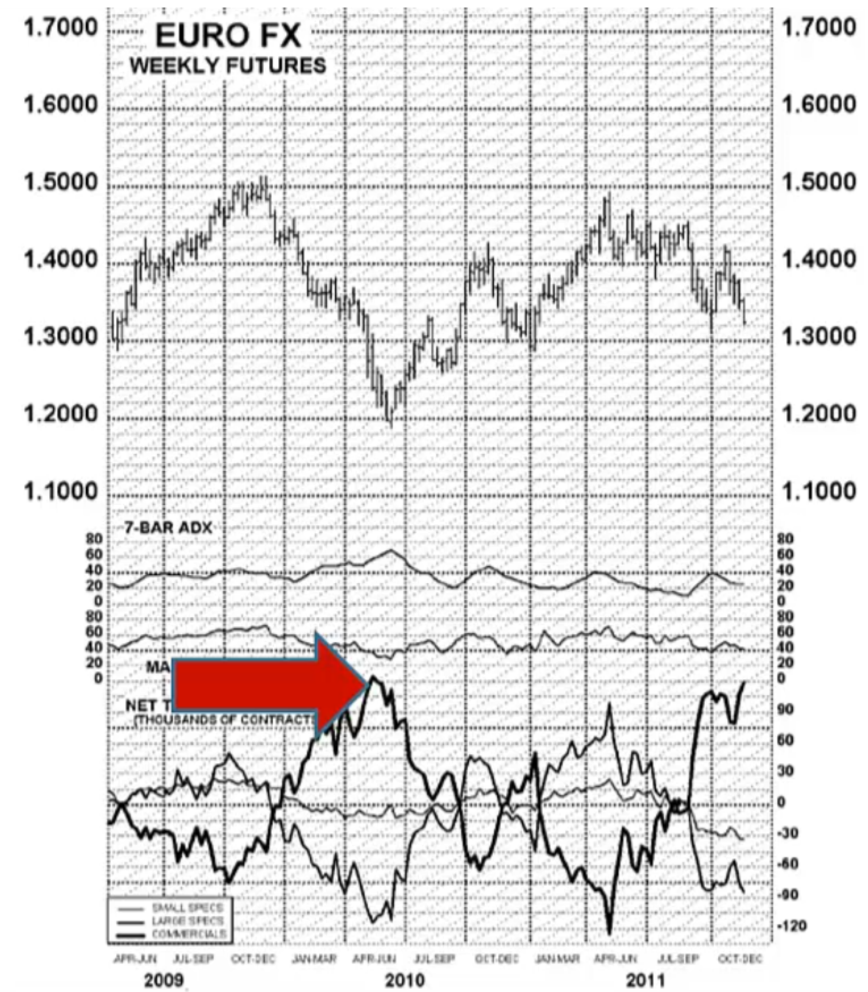
1 - 12 mon. extreme net long in Commercial position - reduce risk on Shorts start looking for Buys.
2 - Net Short Commerical Position - look for short-intermediate downside correction.
3 - Net Long Commercial position - After 12 mon Net Long - Look for Swing or Position Longs.
4 - Net Short Commercial position - look for short-intermediate term downside correction.
5 - Net Long Commercial position - look for short-intermediate term Buys with COT trend.
6 - 12 mon. extreme net short in Commercial position - reduce risk on Longs start looking for Sells.

The Inner Secret To Commitment Of Traders is to trade with the "trend" of the Commercial Traders set in motion at or shortly after fresh 12 month extremes in net positions. This holds even more strength for 4 year Commercial Net extremes. They are the Trend-setters and propel Price.

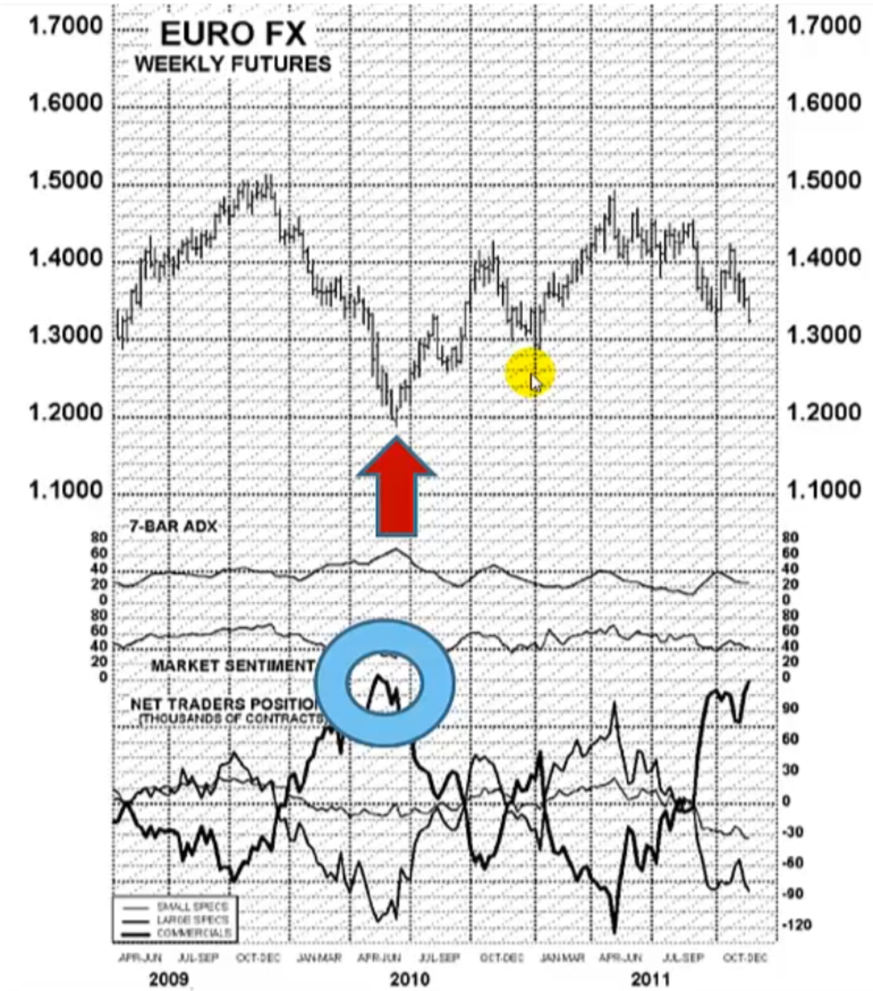
- When you are point 2 in the image above, do not think that you are in a bear market. It should just be a correction.
- At point 3 you want to be looking for swing and position trades going long.
- That is when the big moves happen.
- You can take shorts at point 4, but they will be short to intermediate term in duration. It will be another retracement in an up move.
- Point 5 is another buying opportunity and is like an oversold condition to you.
- Point 6 would indicate a likely high to form in the market. Reduce risk on long positions and filter out more long positions from your trading and start looking for selling opportunities.
- Understand the Commercial trader's trends by looking for the extreme net longs and extreme net shorts.
- COT information is free, the government forces large traders to tell us whether they are net long or net short. Imagine if they did that for stocks! No one would have problems making money.



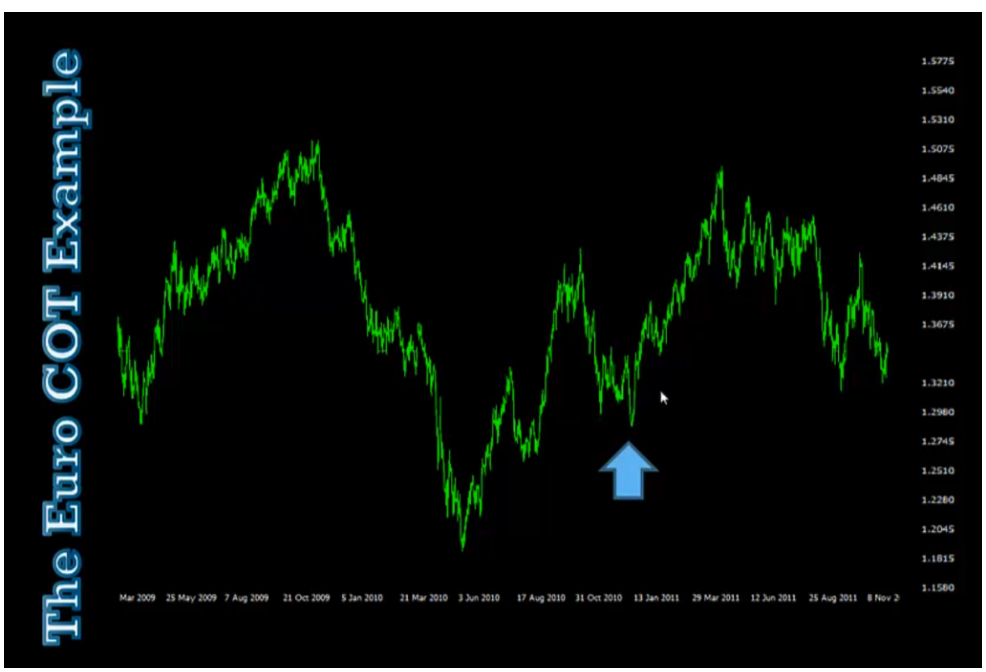
- In the yellow area above, you would have great success looking for bullish divergences. It is an optimal trade entry around the big figure 1.3000 and in the direction of the Commercial trend. The Commercial's were extremely net long before this and then there was a small retracement to let you get in sync with the trend.
- It is not just simply having the net short position or the net long position, that is not enough. You need to have support & resistance, you have to have market structure, etc. all together to complement your COT analysis.



- In the example above, you should definitely start waning back the risk on your short trades and start **expecting** some level of rejection around high time frame support levels.
- All you need to know is where we are at in terms of the trend and then you can get in sync with that.
- COT analysis can help you find those **explosive** moves.
- Harmonic trading patterns are ideal in consolidating markets.
- Put on COT trades with very little risk and just let them run.



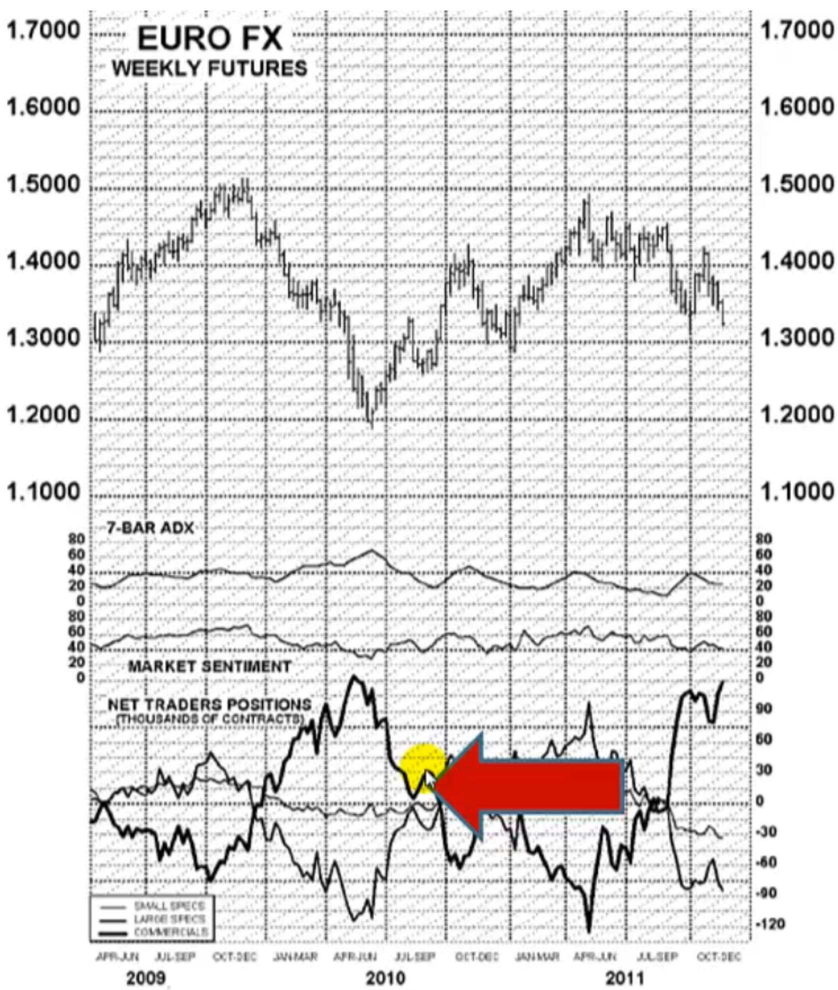
- You can get just a couple **MEGA** trades per year using COT data and do very well.
- When you see the environment like in the image above, you want to look for a market structure shift on an intraday basis. If you see an explosive move up on an intraday basis you are going to want to get in on the retracement by looking for bullish harmonic patterns, optimal trade entries, bullish reflection patterns, minor moves down from the opening of the day. The open will be very near the low. You want to see the big surge up and then look to get in on the retracement.



- Why would price gun stops like in the image above? To propel price upwards by tripping sell stops.
- You should love seeing stop raids happen around old highs & lows. These are massive liquidity pools and 90% of the best moves take place in that environment.



- Every ABCD extension or measured move has a stop raid like in the image above.
- The image above is a daily chart.



- In the image above the Commercial trader's increased their net longs aggressively. That supports a buy.

- Open Interest is only going to decline if Commercial trader's are covering shorts rapidly.
- There are a lot of swing trades available throughout the year using this information.

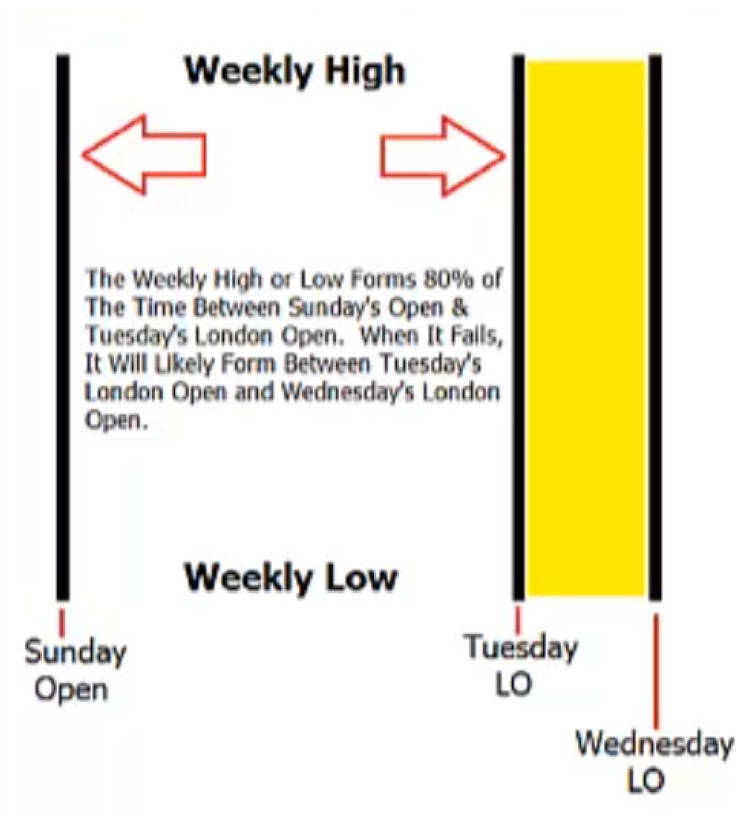
In Summary

- Trade in the direction of the most recent 12 month Commercial net position.
- Wait for price to form intermediate term swings.
- Use OTE patterns to enter and trade with the large traders (not the Commercials, the trend following traders).
- Filter longs when COT reaches fresh 12 month and/or 4 year extremes on Commercial net short positions.
- Filter shorts when COT reaches fresh 12 month and/or 4 year extremes on Commercial net long positions.
- Trade with the COT trend engineered by the Commercials.
- Look for seasonal tendencies to line up with net readings for remarkable trade setups!

Book Recommendations

Stephen Briese - The Commitments of Traders Bible
Larry Williams - Trade Stocks & Commodities with the Insiders
Larry Williams - How I Made a Million Dollars Trading Commodities Last Year

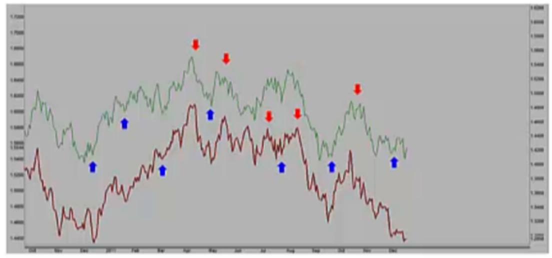
- You can use barchart.com for COT information.
- pricecharts.com has really good charts if you want to pay for a subscription.
- Trading the weekly ranges gives you the sweetest setups.
- Anticipate the weekly high or low to form between Sunday's open and Tuesday's London open. When this fails to occur, the high or low will likely post in between the Tuesday London open & Wednesday London open. There is a 70-80% chance that this happens.
- Selling weekly highs and buying weekly lows places huge reward to risk in your favor and offers ridiculous pip hauls.



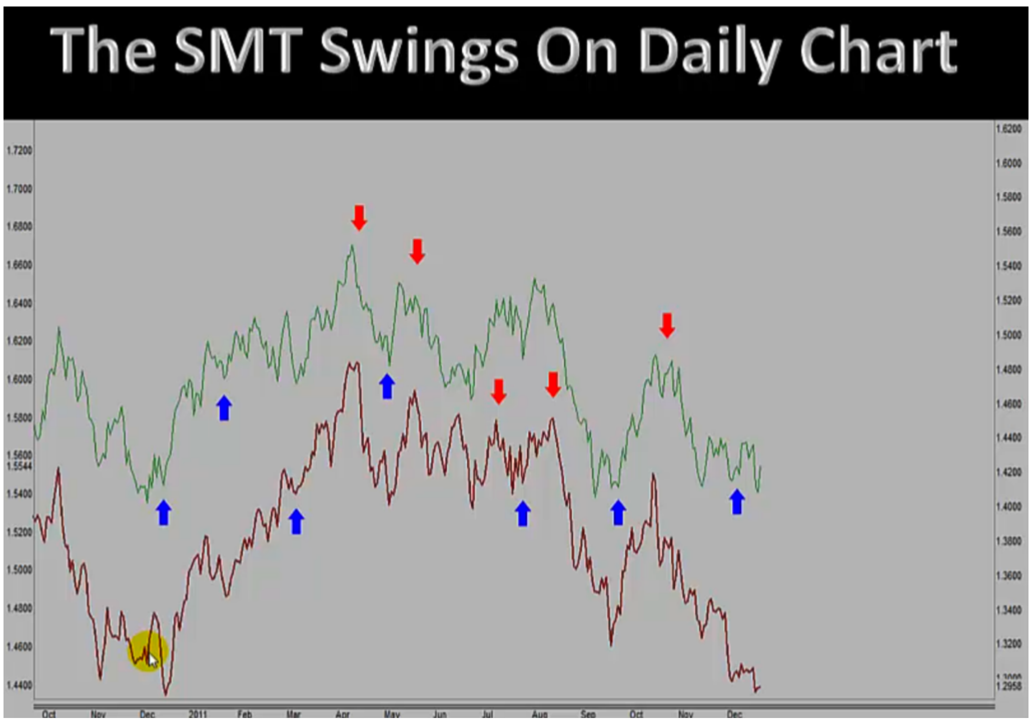
- You want to be able to absorb the time it takes to hold on to these trades until late Thursday and even Friday sometimes.
- Arrive at a directional premise using the monthly, weekly, and daily charts.. COT data.. and the 18/40 EMAs. After getting your directional bias, use the weekly range concept to capture a large amount of pips in that direction.
- Monday is generally a consolidation and what will setup the Judas Swing for the weekly range.
- On Tuesday it usually happens 2-4AM EST which is the ICT London open kill zone.
- When the 18 & 40 EMA's are widening and the 18 is above the 40 you can day trade that when price drops down initially out of the Asian range.

What Sets Up An ICT Swing Trade?

I prefer to stalk the Swings on the Daily Charts and we will outline a classic Swing Model as follows:



Quarterly Shift In Flows
Old Highs & Lows
SMT Divergence on Daily
Market Structure
Swing Point Analysis
Optimal Trade Entry Strategies
Swing Projection for Profit Objectives.



- Every 3 months or so there will be a crack in correlation between the USDX and the Cable or Fiber. This is a selection tool, not a timing tool.
- For a swing trade sell setup, you would expect price to rally up into monthly, weekly, or daily resistance.